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Consolidated Financial Results for the Year Ended June 30, 2023 [Japanese GAAP]

August 10, 2023

Company name: ENVIPRO HOLDINGS Inc.

Stock exchange listing: Tokyo Stock Exchange

Code number: 5698

URL: <https://www.envipro.jp/>

Representative: Tomikazu Sano

Representative Director, President/CEO

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Scheduled date of Annual General Meeting of Shareholders: September 27, 2023

Scheduled date of commencing dividend payments: September 28, 2023

Scheduled date of filing annual securities report: September 27, 2023

Availability of supplementary briefing material on annual financial results: Available

Schedule of annual financial results briefing session: Scheduled (for securities analysts and institutional investors)

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Fiscal Year Ended June 30, 2023 (July 1, 2022 to June 30, 2023)

(1) Consolidated Operating Results

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended June 30, 2023	49,189	(14.2)	1,542	(53.9)	1,901	(54.4)	1,236	(60.3)
June 30, 2022	57,319	40.0	3,343	56.9	4,166	66.1	3,111	108.6

(Note) Comprehensive income: Fiscal year ended June 30, 2023: ¥ 1,313 million [(59.0)%]
Fiscal year ended June 30, 2022: ¥ 3,205 million [122.3%]

	Basic earnings per share	Diluted earnings per share	Rate of return on equity	Ordinary profit to total assets ratio	Operating profit to net sales ratio
Fiscal year ended June 30, 2023	Yen 41.64	Yen 39.94	% 7.7	% 6.1	% 3.1
June 30, 2022	105.20	100.72	21.6	15.0	5.8

(Reference) Equity in earnings (losses) of affiliated companies: Fiscal year ended June 30, 2023: ¥ 521 million
Fiscal year ended June 30, 2022: ¥ 523 million

(Note) The Company conducted a 2-for-1 stock split of shares of common stock on April 20, 2022; however, basic earnings per share and diluted earnings per share are calculated on the assumption that the stock split was conducted at the beginning of the previous fiscal year.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
As of June 30, 2023	Millions of yen 33,686	Millions of yen 16,825	% 48.6	Yen 551.66
June 30, 2022	28,963	16,219	54.6	533.00

(Reference) Equity: As of June 30, 2023: ¥ 16,386 million
As of June 30, 2022: ¥ 15,808 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
Fiscal year ended June 30, 2023	Millions of yen 2,332	Millions of yen (3,838)	Millions of yen (92)	Millions of yen 7,245
June 30, 2022	3,873	(1,404)	(765)	8,913

2. Dividends

	Annual dividends					Total dividends	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
June 30, 2022	-	0.00	-	25.00	25.00	741	23.8	5.1
June 30, 2023	-	0.00	-	14.00	14.00	415	33.6	2.6
Fiscal year ending June 30, 2024 (Forecast)	-	0.00	-	16.00	16.00		28.5	

3. Consolidated Financial Results Forecast for the Fiscal Year Ending June 30, 2024 (July 1, 2023 to June 30, 2024)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	58,000	17.9	1,800	16.7	2,250	18.3	1,670	35.1	56.22

* Notes:

(1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in scope of consolidation): Yes

New 1 (Company name: Nitto Kako Co., Ltd.)

Exclusion: - (Company name:)

(Note) For details, please see the “3. Consolidated Financial Statements and Primary Notes (5) Notes to the Consolidated Financial Statements (Changes in Significant Subsidiaries during Period)” on page 14 of the attached document.

(2) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: No

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(3) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

June 30, 2023: 30,102,454 shares

June 30, 2022: 30,102,454 shares

2) Number of treasury shares at the end of the period:

June 30, 2023: 399,470 shares

June 30, 2022: 442,348 shares

3) Average number of shares outstanding during the period:

Fiscal Year ended June 30, 2023: 29,688,361 shares

Fiscal Year ended June 30, 2022: 29,571,348 shares

(Note) The Company conducted a 2-for-1 stock split of common stock on April 20, 2022; however, the total number of issued shares at the end of the period, the total number of treasury shares at the end of the period, and the average number of shares during the period are calculated on the assumption that the stock split was conducted at the beginning of the previous fiscal year.

* These consolidated financial results are outside the scope of audit by certified public accountants or audit firms

* Explanation of the proper use of financial results forecast and other notes

The financial results forecast and other forward-looking statements in this material are based on information currently available to the Company and certain assumptions deemed to be reasonable, and actual results may differ significantly due to various factors. Please see the “(4) Future Outlook” from page 5 of the attached document of this material for the conditions for financial and other results, as well as important matters to be aware of when using the financial results forecast.

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1. Overview of Business Results, etc.

(1) Overview of Business Results for the Period under Review

In the Group's business areas, crude steel production volume, both in Japan and worldwide, fell below that seen in the same period of the previous fiscal year against the backdrop of China's zero-COVID policy, energy crisis in Europe, global inflation, and other factors. Ferrous scrap export volume also fell below that of the same period of the previous fiscal year on account of the aforementioned factors, as well as from low domestically generated volume.

Under such circumstances, the average ferrous scrap price (Tokyo Steel (Tahara) Tokkyu Grade Seaborne Price) during the fiscal year ended June 30, 2023 was ¥49,082 per ton, (¥55,520 in the same period of the previous fiscal year). In addition, with regard to the main materials for lithium-ion batteries, the average price of cobalt was lower than in the same period of the previous fiscal year, although the average prices of lithium, nickel and copper rose year on year.

Amid this environment, during the fiscal year ended June 30, 2023, the Company propelled its business with a strategic concept of "Realization of concrete cases of the circular economy", based on mission statement of "Contribute to create a sustainable society."

In addition, the Company made Nitto Kako Co., Ltd. a consolidated subsidiary and acquired land/building for a new plant for the Lithium-ion Battery Recycling Business. At the same time, the Company took steps to optimize its business, including the restructuring of two overseas affiliates (Uganda and UAE) that handle used cars-related products.

Furthermore, the Company pushed ahead with initiatives for raising the level of sharing of our corporate philosophy to support the future growth from the ground up, and enhancing the internal systems with environmental improvements and safe management to pursue aggressive attitude, as well as active investment in human capital, etc.

As a result, for the fiscal year ended June 30, 2023, net sales were ¥49,189 million (down 14.2% year on year), operating profit was ¥1,542 million (down 53.9% year on year), ordinary profit was ¥1,901 million (down 54.4% year on year), and profit attributable to owners of parent was ¥1,236 million (down 60.3% year on year).

Results by segment are as follows, with net sales shown as inter-segment sales or sales including transfers.

Summary of Business Results by Segment

<Net sales>

(Million yen)

	The 13th term (Fiscal year ended June 30, 2022)	The 14th term (Fiscal year ended June 30, 2023)	Increase/decrease ratio
Resource Circulation Business	20,397	18,852	(7.6)%
Global Trading Business	42,989	34,485	(19.8)%
Lithium-ion Battery Recycling Business	1,347	1,635	21.4%
Others	443	463	4.6%
Adjustment	(7,857)	(6,247)	—
Total	57,319	49,189	(14.2)%

<Segment profit (loss)>

(Million yen)

	The 13th term (Fiscal year ended June 30, 2022)	The 14th term (Fiscal year ended June 30, 2023)	Increase/decrease ratio
Resource Circulation Business	2,752	1,565	(43.1)%
Global Trading Business	1,147	220	(80.8)%
Lithium-ion Battery Recycling Business	478	575	20.2%
Others	120	99	(17.7)%
Adjustment	(332)	(558)	—
Total	4,166	1,901	(54.4)%

(Note) Segment profit (loss) is adjusted with ordinary profit in the consolidated statements of income.

1) Resource Circulation Business

Handling volume remained at the same level as the previous fiscal year due to aggressive sales activities, even as volume of metal scrap, etc., generated declined on account of a decrease in the number of scrapped vehicles generated and a drop in production in the domestic manufacturing industry, etc. Meanwhile, profitability declined due to deterioration in the purchasing environment associated with lower volume generated. In addition, expenses increased due to higher energy prices, strengthened investment in human capital, and the start-up of new plants.

Furthermore, the results of Nitto Kako Co., Ltd., which became a consolidated subsidiary in the fourth quarter of the fiscal year, are included in this segment.

As a result, net sales in the Resource Circulation Business segment were ¥18,852 million (down 7.6% year on year), while segment profit was ¥1,565 million (down 43.1% year on year).

2) Global Trading Business

The shipping environment for used-cars-related products and metal scrap, etc. improved owing to the rapid fall in ocean freight rates for containers, etc. Meanwhile, profitability declined as differences between overseas and domestic prices narrowed due to a decline in overseas demand for ferrous scrap, and handling volume also fell. In addition, the impact of foreign exchange losses resulting from the drastically strengthening yen exerted pressure on earnings.

As a result, net sales in the Global Trading Business segment were ¥34,485 million (down 19.8% year on year), while segment profit was ¥220 million (down 80.8% year on year).

3) Lithium-ion Battery Recycling Business

Amid continued strong demand for materials for batteries, handling volume increased, partly due to enhanced productivity resulting from improved facility operating rates. Lithium price has declined since January due to the easing of supply and demand following the termination of sales promotion measures for new energy vehicles in China at the end of last year, and profitability declined.

As a result, net sales in the Lithium-ion Battery Recycling Business segment were ¥1,635 million (up 21.4% year on year), while segment profit was ¥575 million (up 20.2% year on year).

In March 2023, we acquired land/building for a new plant in Ibaraki prefecture. We prepare to start operations from around June 2024.

4) Others

In the Environment Management Consulting Business, demand increased for CDP scoring services, TCFD response support and other consulting services related to carbon neutrality and circular economy, while personnel expenses rose in line with system enhancement.

Concerning the Welfare Service Business for People with Disabilities, we opened a new office in the Nagano area and started new services such as vegetable farming in collaboration between agriculture and welfare.

As a result, net sales in the Others segment were ¥463 million (up 4.6% year on year), while segment profit was ¥99 million (down 17.7% year on year).

(2) Overview of Financial Position for the Period under Review

Total assets at the end of the fiscal year under review amounted to ¥33,686 million (up ¥4,723 million, or 16.3% from the end of the previous fiscal year). Current assets amounted to ¥19,088 million (up ¥639 million, or 3.5% from the end of the previous fiscal year). This was primarily due to increases of ¥1,832 million in other current assets and ¥579 million in notes receivable – trade, despite a decrease of ¥1,667 million in cash and deposits and ¥350 million in accounts receivable – trade. Non-current assets amounted to ¥14,598 million (up ¥4,083 million, or 38.8% from the end of the previous fiscal year). This was mainly due to increases of ¥1,704 million in buildings and structures, ¥1,125 million in machinery, equipment and vehicles, and ¥1,149 million in land, despite decreases of ¥383 million in construction in progress and ¥118 million in deferred tax assets.

A factor of increase asset items is mainly due to the inclusion of Nitto Kako Co., Ltd. in the scope of consolidation.

Total liabilities at the end of the fiscal year under review amounted to ¥16,861 million (up ¥4,117 million, or 32.3% from the end of the previous fiscal year). Current liabilities amounted to ¥10,415 million (up ¥447 million, or 4.5% from the end of the previous fiscal year). This was mainly due to increases of ¥1,072 million in notes and accounts payable – trade and ¥763 million in other current liabilities, despite decreases of ¥1,110 million in short-term borrowings and ¥455 million in income taxes payable. Non-current liabilities amounted to ¥6,446 million (up ¥3,670 million, or 132.2% from the end of the previous fiscal year). This was mainly due to increases of ¥3,056 million in long-term borrowings and ¥523 million in retirement benefit liability.

As with asset items, the balance of liability items also increased from the end of the previous consolidated fiscal year, mainly due to the inclusion of Nitto Kako Co., Ltd. in the scope of consolidation.

Total net assets at the end of the fiscal year under review amounted to ¥16,825 million (up ¥606 million, or 3.7% from the end of the previous fiscal year). This was mainly due to an increase of ¥493 million in retained earnings.

(3) Overview of Cash Flows for the Period under Review

Cash and cash equivalents at the end of the fiscal year under review decreased by ¥1,668 million, or 18.7%, from the end of the previous fiscal year, to ¥7,245 million.

(Cash flows from operating activities)

Net cash provided by operating activities amounted to ¥2,332 million, compared with ¥3,873 million provided in operating activities in the previous fiscal year. This net cash inflow mainly reflected cash inflows of ¥1,868 million decrease in trade receivables, ¥1,759 million in profit before income taxes, and ¥935 million in depreciation, despite cash outflows of ¥1,063 million in changes in other, net and liabilities, ¥808 million in income taxes paid, and ¥521 million in share of profit of entities accounted for using equity method.

(Cash flows from investing activities)

Net cash used in investing activities amounted to ¥3,838 million, compared with ¥1,404 million used in investing activities in the previous fiscal year. This net cash outflow mainly reflected cash outflows of ¥2,627 million in purchase of property, plant and equipment and ¥1,303 million in purchase of shares of subsidiaries resulting in change in scope of consolidation, compared with a cash inflow of ¥71 million in proceeds from sale of property, plant and equipment, and ¥57 million in proceeds from withdrawal of time deposits.

(Cash flows from financing activities)

Net cash used in financing activities amounted to ¥92 million, compared with ¥765 million used in financing activities in the previous fiscal year. This net cash outflow mainly reflected cash outflows of ¥2,300 million in short-term borrowings, ¥1,027 million in repayments of long-term borrowings, and ¥741 million in dividends paid, compared to a cash inflow of ¥4,213 million in proceeds from long-term borrowings.

(4) Future Outlook

Regarding the future outlook, despite signs of economic recovery with the gradual lifting of economic activity restrictions that were unavoidable during the COVID-19 pandemic, future economic trends are likely to remain uncertain due to various circumstances in Japan and overseas.

In the Group's business environment, resource recycling has an important role to play in achieving carbon neutrality by 2050. The concept of a circular economy has begun to permeate the supply chain as a whole amid the global trend toward decarbonization, and we believe that demand for recycled raw materials will further increase going forward.

Amid this environment, the Group will tackle the challenges of finding solutions to the issues that confront society based on our mission statement "Contribute to create a sustainable society," and with the strategic concept of "Lead a circular economy," the vision for the organization we build will be "A disciplined group of autonomous individuals with emergent abilities."

The financial results forecasts for the next fiscal year are based on the assumption of ferrous scrap price of ¥50,000 per ton, copper price of ¥1,200,000 per ton, and an average yen exchange rate of ¥125 to the U.S. dollar, with net sales of ¥58,000 million (up 17.9% year on year), operating profit of ¥1,800 million (up 16.7% year on year), ordinary profit of ¥2,250 million (up 18.3% year on year), and profit attributable to owners of parent of ¥1,670 million (up 35.1% year on year).

* The financial results forecasts are based on information available to the Company as of the release of this document and certain assumptions judged to be valid, and actual results may differ significantly due to various factors. Should the need arise to revise the financial results, revisions will be disclosed promptly.

(5) Significant Events regarding Going Concern Assumption

There is no relevant information.

2. Basic Stance Concerning Choice of Accounting Standards

The Group has adopted Japanese GAAP in consideration of the comparability of its consolidated financial statements with domestic industry peers.

Please note that application of IFRS (International Financial Reporting Standards) will be considered, based on various circumstances in Japan and overseas.

3. Consolidated Financial Statements and Primary Notes

Consolidated Balance Sheets

(Thousands of yen)

	As of June 30, 2022	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	9,057,899	7,390,449
Notes receivable - trade	132,761	712,575
Accounts receivable - trade	4,399,534	4,049,125
Merchandise and finished goods	3,765,517	3,857,343
Work in process	18,477	81,724
Raw materials and supplies	618,601	630,437
Other	544,973	2,377,737
Allowance for doubtful accounts	(89,446)	(11,175)
Total current assets	18,448,319	19,088,218
Non-current assets		
Property, plant and equipment		
Buildings and structures	4,686,467	8,674,502
Accumulated depreciation	(2,920,156)	(5,204,026)
Buildings and structures, net	1,766,310	3,470,476
Machinery, equipment and vehicles	9,555,475	15,113,483
Accumulated depreciation	(7,927,443)	(12,359,773)
Machinery, equipment and vehicles, net	1,628,031	2,753,709
Land	2,689,312	3,839,023
Construction in progress	1,006,309	622,877
Other	472,084	978,459
Accumulated depreciation	(400,787)	(819,738)
Other, net	71,297	158,721
Total property, plant and equipment	7,161,261	10,844,809
Intangible assets		
Goodwill	29,936	26,729
Other	66,596	122,223
Total intangible assets	96,533	148,952
Investments and other assets		
Investment securities	2,683,383	3,172,757
Investments in capital	9,441	17,224
Deferred tax assets	451,356	332,771
Other	570,247	288,418
Allowance for doubtful accounts	(457,172)	(206,166)
Total investments and other assets	3,257,256	3,605,005
Total non-current assets	10,515,051	14,598,767
Total assets	28,963,371	33,686,985

(Thousands of yen)

	As of June 30, 2022	As of June 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,743,827	2,816,158
Short-term borrowings	5,340,000	4,230,000
Current portion of long-term borrowings	828,555	967,280
Lease liabilities	87,805	93,655
Income taxes payable	604,885	149,139
Provision for bonuses	75,121	108,123
Other	1,287,818	2,050,985
Total current liabilities	9,968,013	10,415,342
Non-current liabilities		
Long-term borrowings	1,766,057	4,822,781
Lease liabilities	208,347	213,549
Deferred tax liabilities for land revaluation	64,282	64,022
Retirement benefit liability	427,031	950,773
Asset retirement obligations	172,756	198,579
Other	137,570	196,431
Total non-current liabilities	2,776,045	6,446,137
Total liabilities	12,744,059	16,861,480
Net assets		
Shareholders' equity		
Share capital	1,524,830	1,524,830
Capital surplus	1,964,621	1,982,822
Retained earnings	12,395,449	12,889,079
Treasury shares	(145,964)	(131,732)
Total shareholders' equity	15,738,937	16,264,999
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(1,077)	18,218
Revaluation reserve for land	8,633	8,598
Foreign currency translation adjustment	62,283	94,228
Total accumulated other comprehensive income	69,840	121,045
Share acquisition rights	326,584	326,584
Non-controlling interests	83,950	112,875
Total net assets	16,219,312	16,825,505
Total liabilities and net assets	28,963,371	33,686,985

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Thousands of yen)

	For the fiscal year ended June 30, 2022	For the fiscal year ended June 30, 2023
Net sales	57,319,245	49,189,601
Cost of sales	46,691,171	40,690,594
Gross profit	10,628,074	8,499,007
Selling, general and administrative expenses	7,284,921	6,956,384
Operating profit	3,343,152	1,542,622
Non-operating income		
Interest income	2,556	1,789
Dividend income	1,129	2,867
Foreign exchange gains	317,369	-
Share of profit of entities accounted for using equity method	523,305	521,743
Rental income	27,828	35,700
Outsourcing service income	10,092	9,898
Other	51,824	46,073
Total non-operating income	934,106	618,071
Non-operating expenses		
Interest expenses	26,811	29,315
Foreign exchange losses	-	180,391
Provision of allowance for doubtful accounts	64,087	-
Commission expenses	6,043	7,564
Depreciation	4,228	22,797
Other	9,524	18,671
Total non-operating expenses	110,695	258,740
Ordinary profit	4,166,564	1,901,953
Extraordinary income		
Gain on sale of non-current assets	17,475	35,770
Reversal of allowance for doubtful accounts	8,188	-
Insurance claim income	30,400	-
National subsidies	-	60,000
Compensation income	6,527	-
Total extraordinary income	62,591	95,770
Extraordinary losses		
Loss on sale of non-current assets	265	1,837
Loss on retirement of non-current assets	18,369	16,610
Loss on tax purpose reduction entry of non-current assets	-	60,000
Loss on liquidation of business	-	160,110
Compensation expenses	30,000	-
Loss on valuation of investment securities	4,276	-
Total extraordinary losses	52,911	238,558
Profit before income taxes	4,176,244	1,759,165
Income taxes - current	1,012,634	378,792
Income taxes - deferred	15,931	118,364
Total income taxes	1,028,566	497,157
Profit	3,147,678	1,262,007
Profit attributable to non-controlling interests	36,665	25,891
Profit attributable to owners of parent	3,111,012	1,236,116

Consolidated Statements of Comprehensive Income

(Thousands of yen)

	For the fiscal year ended June 30, 2022	For the fiscal year ended June 30, 2023
Profit	3,147,678	1,262,007
Other comprehensive income		
Valuation difference on available-for-sale securities	(6,076)	19,631
Revaluation reserve for land	-	(34)
Foreign currency translation adjustment	63,851	31,944
Total other comprehensive income	57,775	51,541
Comprehensive income	3,205,453	1,313,548
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,168,787	1,287,321
Comprehensive income attributable to non-controlling interests	36,665	26,226

Consolidated Statements of Changes in Net Assets

For the fiscal year ended June 30, 2022

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,524,830	1,957,981	9,653,565	(188,806)	12,947,571
Changes during period					
Dividends of surplus			(369,128)		(369,128)
Profit attributable to owners of parent			3,111,012		3,111,012
Disposal of treasury shares		6,639		42,842	49,482
Change in scope of consolidation					-
Change in ownership interest of parent due to transactions with non-controlling interests					-
Reversal of revaluation reserve for land					-
Net changes in items other than shareholders' equity					
Total changes during period	-	6,639	2,741,884	42,842	2,791,366
Balance at end of period	1,524,830	1,964,621	12,395,449	(145,964)	15,738,937

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	4,999	8,633	(1,568)	12,064	326,584	47,284	13,333,505
Changes during period							
Dividends of surplus							(369,128)
Profit attributable to owners of parent							3,111,012
Disposal of treasury shares							49,482
Change in scope of consolidation							-
Change in ownership interest of parent due to transactions with non-controlling interests							-
Reversal of revaluation reserve for land							-
Net changes in items other than shareholders' equity	(6,076)	-	63,851	57,775	-	36,665	94,440
Total changes during period	(6,076)	-	63,851	57,775	-	36,665	2,885,807
Balance at end of period	(1,077)	8,633	62,283	69,840	326,584	83,950	16,219,312

For the fiscal year ended June 30, 2023

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,524,830	1,964,621	12,395,449	(145,964)	15,738,937
Changes during period					
Dividends of surplus			(741,502)		(741,502)
Profit attributable to owners of parent			1,236,116		1,236,116
Disposal of treasury shares		20,859		14,231	35,091
Change in scope of consolidation			(1,019)		(1,019)
Change in ownership interest of parent due to transactions with non-controlling interests		(2,659)			(2,659)
Reversal of revaluation reserve for land			34		34
Net changes in items other than shareholders' equity					
Total changes during period	-	18,200	493,629	14,231	526,061
Balance at end of period	1,524,830	1,982,822	12,889,079	(131,732)	16,264,999

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	(1,077)	8,633	62,283	69,840	326,584	83,950	16,219,312
Changes during period							
Dividends of surplus							(741,502)
Profit attributable to owners of parent							1,236,116
Disposal of treasury shares							35,091
Change in scope of consolidation							(1,019)
Change in ownership interest of parent due to transactions with non-controlling interests							(2,659)
Reversal of revaluation reserve for land		(34)		(34)			-
Net changes in items other than shareholders' equity	19,295	-	31,944	51,240	-	28,925	80,165
Total changes during period	19,295	(34)	31,944	51,205	-	28,925	606,192
Balance at end of period	18,218	8,598	94,228	121,045	326,584	112,875	16,825,505

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

	For the fiscal year ended June 30, 2022	For the fiscal year ended June 30, 2023
Cash flows from operating activities		
Profit before income taxes	4,176,244	1,759,165
Depreciation	707,728	935,998
Amortization of goodwill	2,138	3,207
Increase (decrease) in allowance for doubtful accounts	68,977	(467,379)
Increase (decrease) in provision for bonuses	8,323	(30,197)
Increase (decrease) in retirement benefit liability	37,137	45,860
Interest and dividend income	(3,686)	(4,656)
Interest expenses	26,811	29,315
Foreign exchange losses (gains)	(160,212)	64,111
Share of loss (profit) of entities accounted for using equity method	(523,305)	(521,743)
Loss (gain) on valuation of investment securities	4,276	-
Loss on disposal of non current assets	265	1,837
Loss on retirement of non-current assets	18,369	16,610
Loss on tax purpose reduction entry of non-current assets	-	60,000
Gain on sale of non-current assets	(17,475)	(35,770)
State subsidy	-	(60,000)
Compensation expenses	(30,000)	-
Compensation income	(6,527)	(6,800)
Insurance claim income	(30,400)	-
Loss on liquidation of business	-	160,110
Decrease (increase) in trade receivables	(287,596)	1,868,045
Decrease (increase) in inventories	1,065,895	440,840
Increase (decrease) in trade payables	(426,694)	(108,458)
Decrease (increase) in advance payments to suppliers	(24,845)	(17,496)
Other, net	167,925	(1,063,561)
Subtotal	4,773,351	3,069,039
Interest and dividends received	115,125	94,268
Interest paid	(26,831)	(30,177)
Compensation payments	(30,000)	-
Income taxes paid	(1,005,652)	(808,091)
Proceeds from compensation	16,988	6,970
Proceeds from insurance income	30,400	-
Net cash provided by (used in) operating activities	3,873,381	2,332,009

(Thousands of yen)

	For the fiscal year ended June 30, 2022	For the fiscal year ended June 30, 2023
Cash flows from investing activities		
Payments into time deposits	(144,449)	(58,552)
Proceeds from withdrawal of time deposits	142,690	57,891
Purchase of property, plant and equipment	(1,388,502)	(2,627,023)
Proceeds from sale of property, plant and equipment	29,935	71,199
Purchase of intangible assets	(11,067)	(40,389)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(40,744)	(1,303,908)
Proceeds from state subsidy	-	60,000
Other, net	8,069	2,309
Net cash provided by (used in) investing activities	(1,404,069)	(3,838,473)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	530,000	(2,300,000)
Proceeds from long-term borrowings	135,000	4,213,005
Repayments of long-term borrowings	(874,084)	(1,027,556)
Repayments of finance lease liabilities	(187,101)	(236,044)
Dividends paid	(369,128)	(741,502)
Purchase of treasury shares	-	(64)
Net cash provided by (used in) financing activities	(765,314)	(92,163)
Effect of exchange rate change on cash and cash equivalents	92,245	(62,753)
Net increase (decrease) in cash and cash equivalents	1,796,242	(1,661,380)
Cash and cash equivalents at beginning of period	7,117,207	8,913,450
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	-	(6,730)
Cash and cash equivalents at end of period	8,913,450	7,245,339

(5) Notes to the Consolidated Financial Statements

(Notes on Going Concern Assumption)

There is no relevant information.

(Notes in the Case of Significant Changes in Shareholders' Equity)

There is no relevant information.

(Changes in Significant Subsidiaries during the Period)

During the fiscal year ended June 30, 2023, Nitto Kako Co., Ltd. was included in the scope of consolidation since it became a subsidiary through the acquisition of shares by tender offer. Nitto Kako Co., Ltd. is a specified subsidiary of the Company.

(Additional Information)

(Application of the practical solution on the treatment of accounting and disclosure under the group tax sharing system)

The Company and some of its domestic consolidated subsidiaries have transitioned to the group tax sharing system from the consolidated taxation system from the fiscal year ended June 30, 2023. Accordingly, with regard to the accounting treatment and disclosure of corporate tax, local corporate tax, and tax effect accounting, the Company has abided by the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (Practical Issues Task Force No. 42, August 12, 2021; hereinafter the "Practical Issues Task Force No. 42."). The changes in accounting policies resulting from the application of the Practical Issues Task Force No. 42 are deemed to have no impact, based on Paragraph 32(1) of the Practical Issues Task Force No. 42.

(Segment Information)

(Segment information)

1. Description of reportable segments

(1) Method of determining segments

Reportable segments of the Group are determined as segments whose separate financial information is accessible from among the constituent units of the Group and are regularly considered by the Board of Directors to determine the allocation of management resources and to evaluate achievements.

The Group's businesses include the Resource Circulation Business, Global Trading Business, Lithium-ion Battery Recycling Business, Environment Management Consulting Business, Welfare Service Business for People with Disabilities, and others. Each business unit formulates its own comprehensive strategies and develops its business activities.

Therefore, the Group consists of segments based on products and services and has three reportable segments: Resource Circulation Business, Global Trading Business, and Lithium-ion Battery Recycling Business.

(2) Type of products and services belonging to each reportable segment

The Resource Circulation Business mainly handles metal scrap and industrial waste (including some domestic waste; hereinafter referred to as "waste") that are discharged from factories and demolished properties, etc. The Company collects and transports these waste materials to intermediate processing factories, where it cuts/fuses, manually dismantles, shreds/sorts, compresses/molds the waste, and produces ferrous scrap, nonferrous metals (copper, aluminum, stainless steel, etc.), plastic, and rubber, which are then sold both domestically and overseas, including at bases for the Global Trading Business.

The Global Trading Business collects recycled resources produced by the Group, as well as recycled resources and used cars, etc. purchased from domestic industry peers at our collection bases throughout Japan, which are then sold both domestically and overseas. It also imports and is engaged in trilateral trade of recycled resources, wood biomass fuel, and used cars, etc. In addition, it provides logistics services for importers and exporters. The Global Trading Business operates overseas bases in the form of local

subsidiaries in the UAE and Chile for the sale of used cars, etc., and representative offices in Vietnam and the U.K. for the sale of metal scrap, etc.

The Lithium-ion Battery Recycling Business mainly handles process waste and used batteries discharged from battery factories, etc., which it dries, shreds, and sorts to produce minor metal concentrated sand containing cobalt and nickel, which is then sold.

2. Method of measurement for the amounts of net sales, profit (loss), assets, liabilities and other items for each reportable segment

The accounting method used for reporting business segments is generally the same as stated in “Important Matters That Form the Basis for Preparing Consolidated Financial Statements.” Reporting segment profit figures are based on ordinary profit. Inter-segment revenues and transfers are mainly based on market prices.

3. Information on net sales, profit (loss), assets, liabilities and other items by reportable segment

For the fiscal year ended June 30, 2022

(Thousand yen)

	Reportable segment				Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded in consolidated financial statements (Note 3)
	Resource Circulation	Global Trading	Lithium-ion Battery Recycling	Total				
Net sales								
Ferrous scrap	4,632,577	31,941,986	—	36,574,564	—	36,574,564	—	36,574,564
Nonferrous scrap	3,441,024	3,352,332	—	6,793,357	—	6,793,357	—	6,793,357
Rubber products	2,012,509	—	—	2,012,509	—	2,012,509	—	2,012,509
Used car	—	6,328,226	—	6,328,226	—	6,328,226	—	6,328,226
Related LIB	—	—	996,846	996,846	—	996,846	—	996,846
Others	3,428,643	760,903	—	4,189,546	424,195	4,613,742	—	4,613,742
Revenue from contracts with customers	13,514,755	42,383,448	996,846	56,895,050	424,195	57,319,245	—	57,319,245
Net sales to outside customers	13,514,755	42,383,448	996,846	56,895,050	424,195	57,319,245	—	57,319,245
Inter-segment sales or transfers	6,882,257	606,455	350,402	7,839,115	18,839	7,857,955	(7,857,955)	—
Total	20,397,013	42,989,903	1,347,248	64,734,165	443,035	65,177,201	(7,857,955)	57,319,245
Segment profit	2,752,197	1,147,213	478,636	4,378,047	120,954	4,499,001	(332,437)	4,166,564
Segment assets	14,561,982	9,706,314	885,170	25,153,466	358,234	25,511,701	3,451,670	28,963,371
Other items								
Depreciation	609,296	76,013	2,368	687,678	4,751	692,430	15,297	707,728
Amortization of goodwill	2,138	—	—	2,138	—	2,138	—	2,138
Interest income	17	2,135	1	2,154	1	2,155	401	2,556
Interest expenses	9,567	14,813	208	24,589	182	24,771	2,039	26,811
Share of profit of entities accounted for using equity method	523,305	—	—	523,305	—	523,305	—	523,305
Investment in entities accounted for using equity method	2,596,571	—	—	2,596,571	—	2,596,571	—	2,596,571
Increase in property, plant and equipment and intangible assets	1,517,129	50,614	113,573	1,681,317	3,939	1,685,257	21,542	1,706,800

(Notes) 1. The “Others” business segment, which is not included in the reportable segments, includes the Environment Management Consulting Business and the Welfare Service Business for People with Disabilities.

2. Figures are adjusted as follows:

- (1) The adjustment for segment profit of negative ¥332,437 thousand is corporate expenses not allocated to each reportable segment. Corporate expenses primarily consist of general and administrative expenses that are not attributed to each reportable segment.
 - (2) The adjustment for segment assets of ¥3,451,670 thousand mainly includes corporate assets not allocated to each reportable segment.
 - (3) The adjustments for depreciation of ¥15,297 thousand, interest income of ¥401 thousand, interest expenses of ¥2,039 thousand, as well as increase in property, plant and equipment and intangible assets of ¥21,542 thousand are associated with company assets not allocated to each reportable segment.
3. Segment profit is adjusted with ordinary profit in the consolidated statements of income.

4. Information about impairment loss on non-current assets and goodwill, etc. by reportable segment

(Significant impairment loss on non-current assets)

There is no relevant information.

(Significant changes in the amount of goodwill)

A significant change in the amount of goodwill occurred in the Resource Circulation Business during the fiscal year under review due to the acquisition of all the shares of Fujimi BMS Co., Ltd. by ECONECOL Inc., and the inclusion of Fujimi BMS Co., Ltd. in the scope of consolidation. The amount of the increase in goodwill resulting from this event in the Resource Circulation Business during the fiscal year under review was ¥29,936 thousand.

(Significant gain on bargain purchase)

There is no relevant information.

For the fiscal year ended June 30, 2023

(Thousand yen)

	Reportable segment				Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded in consolidated financial statements (Note 3)
	Resource Circulation	Global Trading	Lithium-ion Battery Recycling	Total				
Net sales								
Ferrous scrap	3,372,336	23,893,902	—	27,266,238	—	27,266,238	—	27,266,238
Nonferrous scrap	3,197,516	3,167,685	—	6,365,201	—	6,365,201	—	6,365,201
Rubber products	3,149,485	2,092	—	3,151,578	—	3,151,578	—	3,151,578
Used car	—	6,305,791	—	6,305,791	—	6,305,791	—	6,305,791
Related LIB	—	—	1,293,590	1,293,590	—	1,293,590	—	1,293,590
Others	3,546,551	815,458	—	4,362,009	445,191	4,807,201	—	4,807,201
Revenue from contracts with customers	13,265,889	34,184,929	1,293,590	48,744,410	445,191	49,189,601	—	49,189,601
Net sales to outside customers	13,265,889	34,184,929	1,293,590	48,744,410	445,191	49,189,601	—	49,189,601
Inter-segment sales or transfers	5,586,562	300,145	342,359	6,229,067	18,035	6,247,102	(6,247,102)	—
Total	18,852,452	34,485,074	1,635,950	54,973,477	463,226	55,436,703	(6,247,102)	49,189,601
Segment profit	1,565,479	220,509	575,090	2,361,078	99,570	2,460,649	(558,696)	1,901,953
Segment assets	21,313,456	7,399,533	1,318,451	30,031,441	367,203	30,398,644	3,288,340	33,686,985
Other items								
Depreciation	789,313	79,261	26,873	895,449	4,742	900,191	35,806	935,998
Amortization of goodwill	3,207	—	—	3,207	—	3,207	—	3,207
Interest income	17	1,455	3	1,476	2	1,479	310	1,789
Interest expenses	14,444	10,619	—	25,064	75	25,139	4,175	29,315
Share of profit of entities accounted for using equity method	521,743	—	—	521,743	—	521,743	—	521,743
Investment in entities accounted for using equity method	2,998,443	—	—	2,998,443	—	2,998,443	—	2,998,443
Increase in property, plant and equipment and intangible assets	3,484,822	93,277	132,135	3,710,236	7,512	3,717,748	930,724	4,648,472

(Notes) 1. The “Others” business segment, which is not included in the reportable segments, includes the Environment Management Consulting Business and the Welfare Service Business for People with Disabilities.

2. Figures are adjusted as follows:

(1) The adjustment for segment profit of negative ¥558,696 thousand is corporate expenses not allocated to each

reportable segment. Corporate expenses primarily consist of general and administrative expenses that are not attributed to each reportable segment.

- (2) The adjustment for segment assets of ¥3,288,340 thousand mainly includes corporate assets not allocated to each reportable segment.
 - (3) The adjustments for depreciation of ¥35,806 thousand, interest income of ¥310 thousand, interest expenses of ¥4,175 thousand, as well as increase in property, plant and equipment and intangible assets of ¥930,724 thousand are associated with company assets not allocated to each reportable segment.
3. Segment profit is adjusted with ordinary profit in the consolidated statements of income.

4. Information about impairment loss on non-current assets and goodwill, etc. by reportable segment

(Significant impairment loss on non-current assets)

There is no relevant information.

(Significant changes in the amount of goodwill)

There is no relevant information.

(Significant gain on bargain purchase)

There is no relevant information.

(Business Combinations, etc.)

(Business Combinations through Acquisition)

At its Board of Directors meeting held on February 10, 2023, the Company resolved to acquire common shares of Nitto Kako Co., Ltd. (hereinafter referred to as the “Target Company”) by means of a tender offer, under the Financial Instruments and Exchange Act (Act No. 25 of 1948, as amended) (hereinafter referred to as the “Tender Offer”), and conducted the Tender Offer from February 13, 2023 to March 28, 2023 as the Tender Offer period.

As a result of the Tender Offer, the Target Company became a consolidated subsidiary as of April 4, 2023 (the Tender Offer settlement date).

Since the Company did not own all the Target Company’s shares, excluding treasury shares held by the Target Company, after the completion of the settlement of the Tender Offer, the Target Company implemented a reverse stock split effective June 21, 2023 as a squeeze-out procedure to make the Target Company a wholly owned subsidiary of the Company. The Company plans to acquire additional fractional shares from this reverse stock split by obtaining the permission of the court, pursuant to Article 234, Paragraph 2 of the Companies Act (Act No. 86 of 2005; as amended; the same applies hereinafter) as applied mutatis mutandis pursuant to Article 235, Paragraph 2 of the same Act.

(1) Overview of the Business Combination

1. Name of acquired company and description of business

Acquired company	Nitto Kako Co., Ltd.
Description of business	Manufacture and sale of rubber and resin products

2. Purpose of the business combination

In the Group’s business, the Company defines the CE (circular economy) business as the business that can manufacture recycled raw materials and products using waste-derived raw materials, and designates the CE business as a future growth area for the Group. The Company believes that the acquired company’s participation in the Group will enable both companies to expand each other’s business, as the Company aims to actively expand its business, with both autonomous growth through the utilization of existing management resources and discontinuous growth by leveraging external resources, mainly M&A, as the two wheels in the CE business.

3. Date of business combination

April 4, 2023 (deemed date of acquisition March 31, 2023)

4. Legal form of business combination

Acquisition of shares for cash consideration

5. Name after business combination

No change to name

6. Ownership ratio of shares after acquisition

April 4, 2023	83.71%
June 21, 2023	16.29%

Ownership ratio of shares after acquisition	100.00%
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7. Main basis for determining the acquiring company

Due to the acquisition of shares for cash consideration

(2) Period of the acquired company’s results included in the quarterly consolidated statements of income relating to the quarterly consolidated cumulative period

From April 1, 2023 to June 30, 2023

(3) Acquisition cost of the acquired company and breakdown by type of consideration

Consideration for acquisition

At the time of obtaining control	Cash and deposits	¥1,573,929 thousand
At the time of additionally acquired	Cash and deposits (Including accounts payable)	¥306,332 thousand

Acquisition cost ¥1,880,261 thousand

(4) Description and amount of major acquisition-related expenses

Advisory fees, etc. ¥84,768 thousand

(5) Amount of goodwill generated, reason for this goodwill, and amortization period

No goodwill or negative goodwill has arisen.

Although tentative accounting procedures were applied in the third quarter, the allocation of acquisition costs was completed at the end of the current fiscal year.

(6) Amounts of assets received and liabilities assumed on the date of business combination and their Breakdown

	(Thousand yen)
Current assets	3,403,123
Non-current assets	1,702,996
Total assets	5,106,120
Current liabilities	2,675,317
Non-current liabilities	550,436
Total liabilities	3,225,753

(7) Estimated amount and calculation method of the effect of the business combination on the consolidated statements of income for the current consolidated fiscal year based on the assumption the business combination had been completed at the beginning of the consolidated fiscal year

	(Thousand yen)
Net sales	3,874,452
Operating loss	(13,886)
Loss before income taxes	(68,783)
Loss attributable to owners of parent	(91,747)

(Method of calculation of estimated amount)

The estimated impact is net sales and profit/loss information calculated based on the assumption that the business combination had been completed at the beginning of the consolidated fiscal year. These notes are unaudited.

(Per Share Information)

	For the fiscal year ended June 30, 2022	For the fiscal year ended June 30, 2023
Net assets per share	¥533.00	¥551.66
Basic earnings per share	¥105.20	¥41.64
Diluted earnings per share	¥100.72	¥39.94

(Notes) 1. The basis for calculating basic earnings per share and diluted earnings per share is as follows.

Item	For the fiscal year ended June 30, 2022	For the fiscal year ended June 30, 2023
Basic earnings per share		
Profit attributable to owners of parent (Thousand yen)	3,111,012	1,236,116
Amount not attributable to common shareholders (Thousand yen)	—	—
Profit attributable to owners of parent relating to common shares (Thousand yen)	3,111,012	1,236,116
Average number of shares of common shares outstanding during each fiscal year (Shares)	29,571,348	29,688,361
Diluted earnings per share		
Adjustment for profit attributable to owners of parent (Thousand yen)	—	—
Increase in number of shares of common shares (Shares)	1,317,637	1,260,031
(Share acquisition rights included in the above (Shares))	(1,317,637)	(1,260,031)
Overview of dilutive shares not included in calculation of diluted earnings per share due to lack of dilutive effect	—	—

(Note) The Company conducted a 2-for-1 stock split of shares of common stock on April 20, 2022; however, basic earnings per share and diluted earnings per share are calculated on the assumption that the stock split was conducted at the beginning of the previous fiscal year.

2. The basis for calculating net assets per share is as follows.

Item	For the fiscal year ended June 30, 2022	For the fiscal year ended June 30, 2023
Total amount of net assets (Thousand yen)	16,219,312	16,825,505
Amount deducted from total amount of net assets (Thousand yen)	410,534	439,460
(Share acquisition rights included in the above (Shares))	(326,584)	(326,584)
(Non-controlling interests included in the above (Shares))	(83,950)	(112,875)
Net assets at end of the period relating to common shares (Thousand yen)	15,808,778	16,386,044
Number of common shares at end of the period used to calculate net assets per share (Shares)	29,660,106	29,702,984

(Significant Subsequent Events)

There is no relevant information.